



Santa Ana Watershed Project Authority

MEMBERS OF THE PROJECT AUTHORITY

EASTERN MUNICIPAL WATER DISTRICT
INLAND EMPIRE UTILITIES AGENCY
ORANGE COUNTY WATER DISTRICT
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
WESTERN MUNICIPAL WATER DISTRICT

August 16, 2005

Ms. Tracie Billington
California Department of Water Resources
Division of Planning and Local Assistance
P.O. Box 942836
Sacramento, CA 94236-0001

Dear Ms. Billington:

The Santa Ana Watershed Project Authority (SAWPA) has reviewed the Draft PSP for the Integrated Regional Water Management Implementation Grants, Step 2 and our staff attended the recent Draft PSP discussion workshop in Los Angeles. Overall, based on our experience serving as the lead agency for the successful \$235 million Proposition 13 Water Bond Southern California Integrated Watershed Program, we believe that the current Draft PSP for Step 2 departs significantly from the intent of Chapter 8 Integrated Regional Water Management Program legislation. We understand that limited comments have been received and suggest that additional time may be needed for applicants to review the requirements, now that the Step 1 proposals have been completed.

As indicated in a previous letter last month, we most strongly support the State Water Plan's emphasis on Integrated Regional Water Management. This program should be a model that helps the State achieve its goals in this critical area.

It is our understanding that an integrated regional approach was included in Proposition 50 Chapter 8 to promote integrated and multi-benefit water resource projects selected by local stakeholders within a region. By this regional approach, more control on project selection would be assigned to the regions reducing the need for detailed State oversight necessary in justifying support for projects. However, the 18 detailed documentation attachments in the Draft PSP regarding project information and the level of information requested in the attachments suggests that the State plans to perform the project selection. The project selection should occur at the local level with the proposal selection at the State level. We believe that significant resources and costs, by both the State staff and the project applicant, will be required to compile and review this information, further delaying the process.

Based on feedback from the DWR staff at the recent workshop, we understand the DWR's desire to be able to justify to legislators the quantifiable value of proposed State funded projects. However, a more simplified quantification of benefit can be attained for proposal justification without requirements for such in-depth economic analyses that can be summarized in order to succinctly communicate benefits of projects to upper management and legislators. Further, the current Step 2 Draft PSP suggests that when economic analyses of non-quantifiable benefits are



required, a narrative justification is requested. Such narrative justifications are so subjective in nature and dependent on the reviewers' background and understanding, the requirement becomes overly burdensome and unnecessary to both the State and the applicant. Many successful SWRCB grant programs defining water quality projects have been administered by the SWRCB staff with defined benefits to the State.

We encourage significant modifications be made to the Step 2 process as defined in the comments below. In addition after our comments below regarding the Step 2 Draft PSP, we provide our feedback, as requested, on how best to evaluate Step 1 proposals from common regions and corrections to the applicant area maps shown by State staff.

General Comments

- We are concerned about the time to prepare the Step 2 proposal, considering the substantial amount of data requested and the time required by the State to review the proposal details. SAWPA recommends that more responsibility be placed on the implementing agencies to assure project implementation and performance. The current proposed process will be quite burdensome to smaller agencies and less mature groups.
- We are concerned with the amount of data duplication. Why ask again for basic descriptive information provided under Step 1 PSP, which is unlikely to change or be modified? For example, most of Attachment 1 - Authorizing Documentation and Attachment 2 - Eligible Applicant documentation will not change from what was submitted under Step 1.
- We are concerned that the amount of information required is overly detailed, considering the intent of the Grant Program is to assist project implementation for agencies that do not have complete sufficient local funds, or are disadvantaged communities. This requirement for data puts these agencies' projects at a great disadvantage and seems to be contradictory to the program's intent. Agencies, which are financially strapped, will not be able to prepare all of the necessary project information, not without having all of the required funding in place, nor one year ahead of schedule.
- We are concerned about the volume of data requested within the proposal. For a large regional proposal, such as the one submitted by SAWPA (19 projects with 13 project agencies), the required data being requested for each of the projects and agencies under Step 2 would be overwhelming. Because of this detail, the costs required to complete the requirements become a high-stakes gamble more likely to discourage participation than encourage it.

Specific Comments

Page 9, Table 1 – The majority of the requested items are duplicative of information requested under Step 1 General Information items. We recommend deletion of most of the items to avoid repetition of the same information.

Page 12, Section III Eligibility Requirements, 2005 UWMP - Can the applicant be assured that if their UWMP is submitted prior to December 31, 2005, that a review letter from the DWR will be sent in time to the applicant for Step 2 compliance?

Page 13, Attachment 1, Authorizing Documentation and Attachment 2, Eligible Applicant Documentation - These documents were requirements under Step 1. Why repeat the same requirements here?

Page 15, Attachment 10 – The PAEP should be standardized by project type to assure equitable implementation and review across the State. A form or specific guidelines should be provided by the State.

Page 16, Attachments 11 and 12 – These attachments are a duplication of efforts from Step 1.

Page 16, Attachment 13 – The request of financial records brings about the concern of how the State can evaluate and use this data. Some proposals from regional agencies will include multiple projects from multiple agencies. This amount of financial data being requested appears excessive at this stage. We recommend that a financial form or worksheet be used and filled out by each requesting agency to assure an equitable representation across regions of the State.

Page 30, Bullets 1, 2 and 4 appear to be excessive pre-contract requirements. Typically these items are discussed in project specifications and contract documents wherein state requirements must be followed.

Page 33, Replacement Costs - A listing of replacement costs over a 50-year life cycle appears excessive for most water infrastructure projects. Unless the project is a large-scale public works project, such as a dam or reservoir, it is unlikely that a 50-year life cycle is typical. We recommend that a 20-year life cycle be shown instead. If this cannot be used, then we recommend language allowing shorter life cycles as appropriate.

Page 36, Exhibit F - Overall this section is unnecessarily administratively burdensome. Though the DWR staff has stated that this section applies to the overall program application, each individual project component, 19 separate projects in our case, will need to be conducted for every project of every proposal and then compiled under this program. Many of the projects submitted under an integrated program application are not multi-million dollar projects. If the State has indicated that they would prefer the project applicant's administrative costs for projects be limited to five percent of the project costs as indicated on page 31, the limit becomes highly

unlikely to be achieved for most projects due to significant grant administration costs associated with just submitting an application to the State under Step 2. We recommend that this entire section, requiring such an in-depth economic analysis, be deleted.

We understand that this type of economic analysis is similar to other economic analyses required to fund other DWR groundwater recharge projects; however, since this program is being administered by both DWR and SWRCB and include many water quality improvements, which do not lend themselves well to detailed quantifiable evaluations, attempts to bring all project submittals to in-depth economic analyses of what are common for multi-million-dollar size construction projects such as major dams or reservoirs is not appropriate.

If still required, we recommend that such economic analysis only be limited to large-scale individual project components that may be asking for over \$10 million/project in State funding. For water quality improvement and water recycling projects, we recommend that more simplified evaluations of avoided future costs use approaches often used by the SWRCB Revolving Loan Program of which most water agencies are familiar with.

We recommend that the 50-year economic analysis also be decreased to 20 years unless the size of the project is likely to realize a 50-year life cycle. If this cannot be done, please provide language that allows for alternate life cycles studies as appropriate to the likely life cycle of the project.

Page 42, Benefits Analysis - This section states that if a benefit cannot be quantified, it must be described in a narrative style. We believe that a narrative approach is subject to interpretation and value system of the reviewer. An objective system of comparison of benefits then becomes unlikely. Consequently, we recommend deletion of this requirement. If this cannot be done, we request that the extensive bullet list of required benefit analyses be replaced with a simplified table of benefits.

Page 44, Bullet Column (e) - Is the per unit monetary value of a benefit to the State affected by the local share of funding? There may be projects that may become far more beneficial to the State if a significant percentage of a project is locally funded. How is this incorporated into Table F-4 analysis?

Page 46, Table F-5 - Again the 50-year planning horizon appears unreasonably long for most water infrastructure projects.

Page 50, Exhibit G Other Expected Benefits - The first sentence of the first paragraph suggests that computer models may be necessary to conduct the quantitative analyses of benefits. Such extensive economic analysis unduly penalizes smaller agencies that have submitted projects as part of an integrated regional watershed program. We recommend that is entire section requiring

such an in-depth economic analysis be deleted. If deletion of this section cannot occur, we request that a simplified table of benefits replace the detailed documentation of economic analyses of other expected benefits.

Page 51, Flood Control - We recommend that the autonomy be given to the applicant to assure that the project meets all professional engineering standards for flood control. Under this section, the State suggests software programs for flood control analysis. This appears to be overly directive by the State in the process of assuring a project meets industry standards. We recommend that the State remove this entire section.

Page 52, Exhibit H Scientific and Technical Merit - How does a reviewer evaluate technical soundness under the fifth bullet? This entire section is asking information that appears to question the technical capability of the implementing agency with unduly burdensome requirements. We recommend that this entire section be scaled back to minimal requirements. Most of the bullet items appear to be items that would likely be covered under the previous Attachment 3 Work plan descriptions.

The Environmental Documentation and Permits and Certifications requirements appear to be overly administratively burdensome to be applied to all projects of an integrated program submitted under an application. We recommend deletion of these requirements with the possible exception of very large individual projects that exceed a \$10-million dollar State funding request.

Step 1 Selection Process

In the recent Step 2 Draft PSP workshop, DWR staff discussed their dilemmas in how they will select projects for Step 2 from the Step 1 submittals, if multiple proposals came from the same region. DWR staff asked if one proposal from one region scored a 10 and another a 90, should DWR staff ask the project applicants to get together and work out a joint application? Or if two very competitive proposals came from the same area, what should be done?

Our response is that the State will need to determine what best depicts a region for future needs and evaluate what applications best cover that region based on the Step 1 selection criteria defined. If multiple applications come from a large region, the State staff should select the proposal that best meets the requirements and scores the highest. We are aware that some applicants representing individual cities or county entities have submitted a Step 1 application, while every effort was made to coordinate with the respective staffs under a regional approach. Sometimes due to local political pressure beyond the control of the regional coalition, individual cities, county entities, or smaller coalitions may have tried for the funds and submitted an application as a last ditch effort circumventing the regional project selection process that best represents the most competitive and integrated program approach for the region. Such applicants

Ms. Tracie Billington
August 16, 2005
Page 6

may claim that they have support for projects based on their project listing in an integrated regional plan. However, we discourage the State from forcing the two or more applicants to join efforts for a new project application since this will circumvent the regional process of project selection and provide an unfair advantage to those entities who chose not to work with the larger coalition of agencies in an integrated approach. Asking regional applicants to combine efforts will further slow down the implementation process of awarding the Phase 1 Proposition 50 Chapter 8 funding.

Step 1 Application Map

We also would like to make a few corrections to the map showing the proposal areas. Proposal 7038 is shown outside the Santa Ana Watershed as a dot. All of the City of Moreno Valley is located within the Santa Ana Watershed in Riverside County. We did not receive any information regarding this submittal. Two applicants, 5880 City of Upland and 4076 San Bernardino County, are being shown as covering the entire watershed; however, the Integrated Plan that they submitted was the SAWPA Integrated Regional Plan for the whole watershed. We have worked cooperatively with the City of Upland and San Bernardino County and included their projects into our plan. The City of Upland project was not selected as a priority project for funding at this time due to various project limitations that made it less competitive in the SAWPA application. The San Bernardino County submittal is also listed in our SAWPA Integrated Plan. The SAWPA proposal includes a separate flood control project as a priority project. The San Bernardino County has indicated that a special legislative clause under Proposition 50 pertains to their project that should be considered separately from the SAWPA proposal. Applicant 5756, Yucaipa Valley Water District project, was included in the SAWPA Integrated Plan but was not selected as a priority project for funding at this time due to various project limitations that made it less competitive in the SAWPA application.

We appreciate the opportunity of providing comments on this PSP and look forward to working with the SWRCB and DWR on the application process.

Sincerely,

Santa Ana Watershed Project Authority



Daniel Cozad
General Manager

DC:pb

c: member agencies

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